

## Message Text

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ACTION COME-00

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 FEA-01 AGRE-00

CEA-01 CIAE-00 DODE-00 EB-08 FRB-03 H-01 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02

OMB-01 OPIC-03 XMB-02 /115 W

-----012055 010527Z /10/75

P 312038Z AUG 77 CORRECTED COPY FOR MRN

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC PRIORITY 1600

INFO AMEMBASSY OTTAWA

AMEMBASSY BERN

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION GENEVA

C O N F I D E N T I A L BRUSSELS 10986

C O R R E C T E D C O P Y FOR MRN /BRUSSELS 10986 VICE 01986/

USEEC ALSO FOR EMBASSY

E.O.11652:GDS

TAGS: ETRD, GATT, SW, BE

SUBJECT: EXPORT INFLATION INSURANCE (EII) WORKING PARTY

REF: STATE 204301

1. PER REFTEL, MISSION OFFICER DISCUSSED COMMUNITY  
POSITION IN EII WORKING PARTY WITH COMMISSION. WE TALKED  
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TO MALCOLM BREMNER, PETER KLEIN'S DEPUTY FOR EXPORT  
CREDIT MATTERS, DG-I, WHO SEEMED VERY WELL INFORMED ON  
MATTER. (KLEIN IS STILL ON VACATION.)

2. IN REVIEW OF COMMISSION'S ROLE IN EII WORKING PARTY,  
BREMNER STRONGLY REAFFIRMED COMMISSION'S POSITION THAT  
EII SCHEMES, AND ALL SIMILAR COST ESCALATION SCHEMES IN

MEMBER STATES, OUGHT TO BE PHASED OUT OF EXISTENCE. THEREFORE, COMMISSION'S ROLE IN EII WORKING PARTY DID NOT EXTEND TO DEFENSE OF FRENCH AND UK SCHEMES, WHICH WOULD BE ELIMINATED UNDER TERMS OF COMMISSION'S OWN PROPOSED DIRECTIVE.

3. MISSION OFFICER ASKED ABOUT COMMISSION'S VIEWS ON SELF-FINANCING ISSUE. BREMNER SAID THAT COMMISSION WOULD BE OPPOSED TO EMPHASIS ON LONG-TERM SELF-FINANCING AS CRITERION FOR DETERMINING WHETHER SUCH A SCHEME WOULD BE LEGAL UNDER ARTICLE XVI. FOR A VARIETY OF REASONS, COMMISSION FELT THAT TO MAKE SELF-FINANCING THE KEY TEST WOULD BE BOTH IMPRACTICAL AND DANGEROUS. IT WOULD BE EXTREMELY DIFFICULT TO APPLY SUCH A CRITERION; AND IN THE MEANTIME, THE RECOURSE TO SUCH SCHEMES MIGHT SPREAD. SUPPORT OF LONG-TERM SELF-FINANCING CRITERION WOULD NOT BE CONSISTENT WITH COMMISSION EFFORTS TO PHASE OUT EII SCHEMES.

4. WE THEN ASKED WHY, IF THIS WERE SO, EC REP IN GENEVA HAD BEEN PROMOTING SEPARATE PARAGRAPH ON ISSUE IN EII WORKING PARTY REPORT. BREMNER RESPONDED THAT THIS MUST HAVE HAPPENED IN THE "HURLY-BURLY" OF LAST MEETING, WHEN STRENUOUS EFFORTS WERE BEING MADE TO REACH AGREEMENT ON REPORT AT THAT MEETING. COMMISSION WOULD NOT BE THE SOURCE OF PROPOSED LANGUAGE FOR REPORT

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LAYING EMPHASIS ON SELF-FINANCING, ALTHOUGH OTHERS MIGHT. HE ASSURED MISSION OFFICER THAT THERE HAD BEEN NO CHANGE IN COMMISSION POLICY NOT TO TAKE POSITIONS IN EII WORKING PARTY IN DEFENSE OF UK AND FRENCH SCHEMES.

5. BREMNER ALSO ASKED WHETHER WE HAD ANY INDICATION OF COURSE US MIGHT PURSUE IN GATT REGARDING THESE MATTERS, ASSUMING (AS HE DID) REPORT WITH NO CONCLUSIONS WERE THE BEST THAT COULD BE OBTAINED. ANY INFO WE COULD PROVIDE WOULD BE APPRECIATED.

6. COMMENT: BREMNER GAVE NO INDICATION OF INTERNAL DIVISION ON THIS ISSUE WITHIN COMMISSION, AND WE WOULD INFER THAT EC REP IN GENEVA GOT TOO FAR OUT IN FRONT DURING JULY MEETING. OUR QUERY SHOULD SERVE TO ALERT COMMISSION ABOUT US CONCERN OVER THIS, AND WE WOULD BE SOMEWHAT SURPRISED IF EC REP TOOK ADVANCED POSITION ON SELF-FINANCING IN SEPTEMBER 12-13 MEETING. IF DEPARTMENT WISHES US TO APPROACH COMMISSION AGAIN TO COMPLAIN MORE EXPLICITLY ABOUT RECENT HARD-LINE EC TACTICS IN EII WORKING PARTY, IT WOULD BE USEFUL TO PROVIDE FURTHER EXAMPLES, SINCE SELF-FINANCING ISSUE HAS BEEN COVERED.

PETER KLEIN WILL NOT RETURN BEFORE SEPTEMBER 12-13  
MEETING, BUT MISSION OFFICER WILL BE LUNCHING WITH  
BREMNER SEPTEMBER 6. MORRIS

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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
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